

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - April 2022



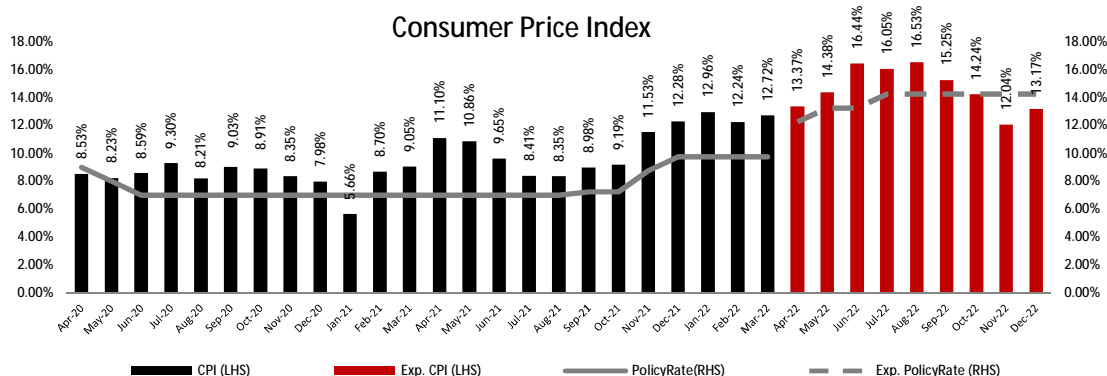
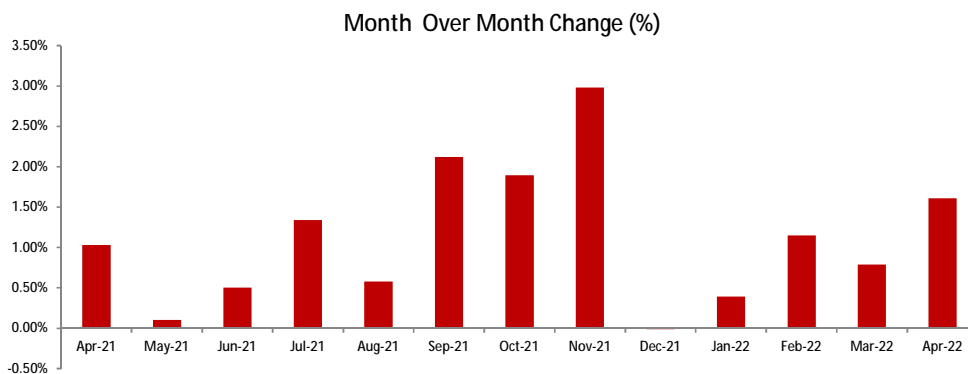
Inflation clocked in at 13.3% in April'22

Inflation for the month of April'22 clocked in at 13.3% compared to 12.72% in the preceding month. On monthly basis, inflation surged to 1.62% taking 10MFY22 average inflation to 11% compared to 8.63% in the same period last year. Not only the headline inflation but the core inflation (*measured by non-food & non-energy*) has also increased significantly to 9.82% signaling buildup inflationary pressure in near term.

On monthly basis, inflation for the month of April'22 increased by 1.62% out of which food inflation contributed the most reasons of which can be attributed to a) Imported inflation b) Ramzan Effect coupled with negligence on administered food prices as the government was in transition. It is pertinent to note that despite quarterly HRI index adjustment the index was down by 0.68% due to lower electricity charges based on the subsidy announced by the former prime minister.

Going forward, we expect unwinding of fuel and electricity subsidy in the upcoming fortnightly adjustment which has already crossed PKR 90 billion on price differential claim to have another round of inflationary impact on the economy which may amplify if the international energy prices increase further.

Consumer Price Index	Weight %	Apr-22	Mar-22	MoM%	Apr-21	YoY%
General	100.00	164.5	161.88	1.62%	145.09	13.38%
Food & Non-alcoholic Bev.	34.58	176.38	170.06	3.72%	150.7	17.04%
Non-perishable Food Items	29.6	174.41	172.4	1.17%	151.63	15.02%
Perishable Food Items	4.99	188.08	156.19	20.42%	145.16	29.57%
Alcoholic Bev. & Tobacco	1.02	151.66	147.13	3.08%	144.28	5.12%
Clothing & Footwear	8.6	164.58	161.16	2.12%	148.48	10.84%
Housing, Water, Electricity, Gas & Fuel	23.63	151.16	152.19	-0.68%	141.2	7.05%
Furnishing & Household Equipment Maintenanar	4.1	160.97	158.42	1.61%	140.39	14.66%
Health	2.79	168.44	167.01	0.86%	152.61	10.37%
Transport	5.91	181.63	180.85	0.43%	141.52	28.34%
Communication	2.21	110.36	110.31	0.05%	108.61	1.61%
Recreation & Culture	1.59	137.25	136.71	0.39%	125.17	9.65%
Education	3.79	156.7	155.72	0.63%	144.61	8.36%
Restaurants & Hotels	6.92	162.18	161.81	0.23%	141.55	14.57%
Miscellaneous	4.87	170.08	168.77	0.78%	150.83	12.76%



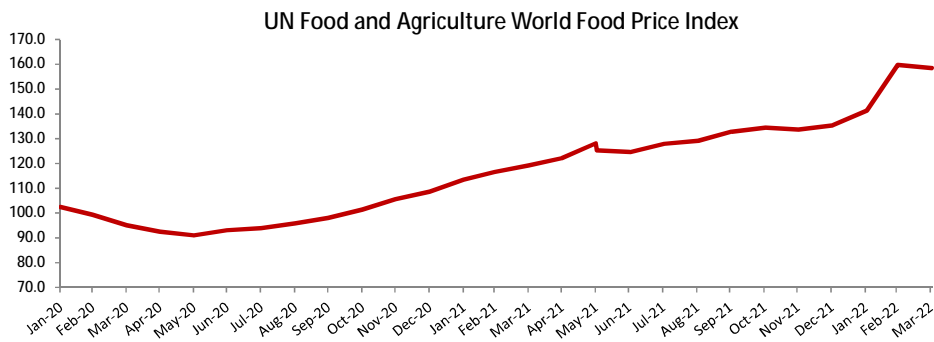
Inflation - Global Commodity & Food Prices

International Commodity Prices (Converted to PKR for comparison)							
Months	Sugar (Rs/Kg)	Palm Oil (Rs/5Kg)	Soya bean Oil (Rs/Kg)	Wheat (Rs/20Kg)	Crude Oil (Rs/Liter)	LNG (\$/mmbtu)	Natural Gas (\$/mmbtu)
Apr-21	66.572	1,008	259	1050.75	76	8.28	2.61
Mar-22	78.353	1,661	366	1818.76	136	15.11	4.88
Apr-22	80.971	1,573	364	1852.35	124	17.18	6.53
MoM Change	3.34%	-5.30%	-0.48%	1.85%	-8.49%	13.70%	33.81%
YoY Change	21.63%	56.09%	40.48%	76.29%	63.32%	107.49%	150.19%

Source: WB PinkSheet; PKR/USD Avg. 187; Transportation cost not included.

Domestic Prices in Pakistan							
Months	Sugar (Rs/Kg)	Cooking Oil (Rs/5Kg)	Vegetable Ghee (Rs/Kg)	Wheat Flour (Rs/20Kg)	Petrol (Rs/Liter)	Hi-Speed Diesel (Rs/Liter)	LPG (Rs/12kg)
Apr-21	97	1537	303	1010	111	113	1366
Mar-22	88	2258	451	1167	151	115	2476
Apr-22	86	2437	476	1092	151	115	2456
MoM Change	-1.99%	7.93%	5.48%	-6.42%	0.00%	0.00%	-0.82%
YoY Change	-11.54%	58.59%	57.22%	8.09%	36.12%	1.54%	79.82%

Source: PBS



World Food Situation - World Bank Food Price Index		
	▲ MoM%	▲ YoY%
Overall Food Index	-0.77%	29.81%
Cereals	-0.38%	34.29%
Vegetable Oil	-5.68%	46.45%
Dairy	0.86%	23.49%
Meat	2.23%	16.84%
Sugar	3.29%	21.81%

Source: UN's FAO

MPS - Hiked policy rate by 250bps

In its surprising monetary policy committee meeting (MPC) held on 7th April central bank increased policy rate by 250bps to 12.25% bringing certainty to the otherwise volatile market. In addition to the rate hike additional measures undertaken by the central bank in order limit slippage in current account were a) enhancing list of items for 100% cash margin requirement b) increasing export refinance scheme from 3% to 5.5%.

The committee highlighted that outlook for inflation has deteriorated since its last meeting on 8th March and risk to external stability have increased which was visible in sharp rise in domestic secondary market yields coupled with declining foreign exchange reserves due to debt repayments and mining case arbitration which led to PKR depreciation of 5% over the course of last month.

The central bank has also revised its inflation forecast for FY22 to slightly above 11% before moderating in FY23. Current account deficit is still expected to be around 4% of GDP which largely remains dependent on global commodity prices which are expected to remain elevated for longer than expected.

In a subsequent analyst briefing, SBP governor highlighted that IMF program is on HOLD until political dust settles and the recent subsidy announcement became a thorn in discussions for completion of the ongoing review. Despite decline in FX reserves and potential delay in IMF disbursement, central bank remains confident on external financing needs which are fully met from identified sources.

Advance Calendar of Monetary Policy Meetings
Emergency Meeting - Thursday, 7th April 2022
May MPC Meeting; Monday, 23rd May 2022
July MPC Meeting; Thursday, 07th July 2022
August MPC Meeting; Monday, 22nd August 2022
October MPC Meeting; Monday, 10th October 2022
November MPC Meeting; Friday, 25th November 2022
<p>In an efforts to make monetary policy formulation more predictable and transparent in line with international best practice, the central bank has decided to increase frequency of monetary policy reviews from six (6) to eight (8) times a year.</p>

Policy Rates in Major Economies			
	Policy Rate	W.E.F	Previous Rate
USA	0.25%	16-Mar-20	1.25%
UK	0.50%	03-Feb-22	0.25%
Euro Zone	0.00%	10-Mar-16	0.05%
Japan ¹	-0.10%	29-Jan-16	0.10%
Canada	0.25%	27-Mar-20	0.75%
Australia	0.10%	03-Nov-20	0.25%
China ²	3.70%	20-Jan-22	3.80%
India	4.00%	22-May-20	4.40%
Sri Lanka	6.50%	20-Jan-22	6.00%
Malaysia	1.75%	07-Jul-20	2.00%
Thailand	0.50%	20-May-20	0.75%

¹ BOJ previous policy rate was in range of (0 to 0.1) instead of single number

² Loan Prime Rate: The benchmark interest rate in china was last recorded at 3.85% (Source: SBP)

Monetary Policy Announcement History			
MPS Date	Stance	Policy Rate	Voting
16-Jul-19	+100 bps	13.25%	5 voted for 100bps, 2 for 75bps & 1 for 150 bps
16-Sep-19	Status quo	13.25%	8 voted for Status Quo, 1 voted for -25bps
22-Nov-19	Status quo	13.25%	8 voted for Status Quo, 2 voted for -25bps
28-Jan-20	Status quo	13.25%	7 voted for Status Quo, 2 voted for -25bps
17-Mar-20	-75 bps	12.50%	6 voted for 75bps cut, 2 voted for less 75bps cut & 2 for more than 75 bps cut
24-Mar-20	-150 bps	11.00%	Unanimously decided to decrease rate by 150 bps
16-Apr-20	-200 bps	9.00%	6 voted for 200bps cut, 3 voted for 100 to 150bps cut
15-May-20	-100 bps	8.00%	5 voted for 100bps cut, 3 voted for 150bps cut & 1 voted for 50bps cut
25-Jun-20	-100 bps	7.00%	8 voted for 100bps cut & 1 voted for 50bps cut
21-Sep-20	Status quo	7.00%	Unanimously decided to keep the policy rate unchanged
23-Nov-20	Status quo	7.00%	8 voted for status quo & 1 voted for 25bps increase
22-Jan-21	Status quo	7.00%	Unanimously decided to keep the policy rate unchanged
19-Mar-21	Status quo	7.00%	Unanimously decided to keep the policy rate unchanged
28-May-21	Status quo	7.00%	8 voted for status quo, 1 voted for +100bps
27-Jul-21	Status quo	7.00%	8 voted for status quo, 1 voted for +50bps
20-Sep-21	+25 bps	7.25%	Unanimously decided to increase policy rate by 25 bps
19-Nov-21	+150bps	8.75%	8 voted for 150bps, 1 voted for 175bps
14-Dec-21	+100bps	9.75%	Unanimously decided to increase policy rate by 100 bps
24-Jan-22	Status quo	9.75%	Unanimously decided to keep the policy rate unchanged
08-Mar-22	Status quo	9.75%	7 voted for status quo, 1 voted for +25bps

Balance of Trade - Deficit Jumps 65% in 10MFY22

Trade deficit for the first ten months of the fiscal year stands at USD 39.36 billion mainly due to exponential growth in imports and comparatively slow growth in exports.

Deficit during 10MFY21 was USD 23.8 billion compared to the recent 10MFY22 where deficit ballooned to USD 39.2 billion, growth of 65% on yearly basis. During the period imports grew by 46.4% YoY compared to growth in exports by 25.5%. During the month April'22, trade deficit clocked in at USD 3.7 billion compared to USD 3.6 billion in the preceding month depicting a marginal increase of 2.7% on monthly basis, where as on YoY it surged by 23.7% to clock in at USD 3 billion.

Balance of Trade								
	Apr-22	Mar-22	MoM	Apr-21	YoY	10MFY22	10MFY21	YoY
Export of Goods	2,873	2,782	3.27%	2,218	29.5%	26,228	20,905	25.5%
Import of Goods	6,615	6,425	2.96%	5,242	26.2%	65,492	44,731	46.4%
Trade Balance	(3,742)	(3,643)	2.72%	(3,024)	23.7%	(39,264)	(23,826)	64.8%

USD million

Current Account Balance - Swelled to USD 1 Billion

According to the data released by the central bank, Pakistan current account deficit doubled from USD 545 million in Feb'22 to USD 1028 in March'22.

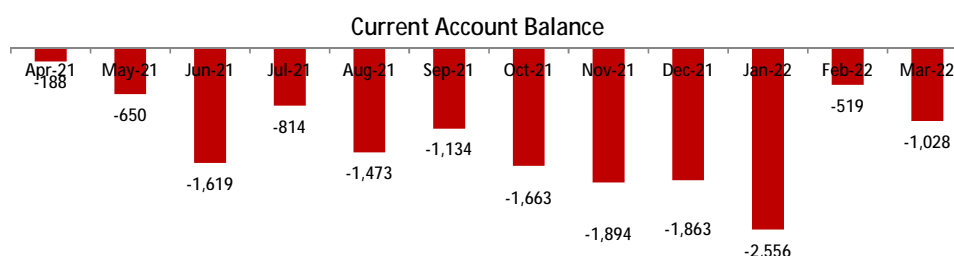
On YoY basis, deficit was led by increase in import of goods which increased by 20% to USD 1 billion where as exports and remittances increased by USD 462 and USD 85 million respectively. On monthly basis, deficit swelled to 98% almost doubled on the back of increase in trade deficit where as support was provided on service balance which improved by USD 27 million and remittances which increased by 28% to USD 620 million reasons of which can be attributed to Eid-ul-Fitr inflows.

Deficit for 90MFY22 stands at USD 13 billion compared to USD 275 million on the back of trade balance which deteriorated by 56% from USD 19.3 billion to USD 30 billion. Remittance on the other hand remained declined slightly by 1% to clock in at USD 23.9 billion compared to USD 24.3 billion.

Going forward, constantly deteriorating twin deficits, political instability, uncertainty over completion of IMF program, inconclusive visit of Prime minister from friendly countries has resulted in deteriorating PKR USD parity and expectation of further worsening of CAD. However, any positive news from the upcoming IMF talks will bode well towards the overall economic stability.

Current Account Balance								
	Mar-22	Feb-22	MoM	Mar-21	YoY	9MFY22	9MFY21	YoY
Export of Goods	3,072	2,888	6%	2,610	18%	23,699	18,713	27%
Import of Goods	6,244	5,143	21%	5,205	20%	53,796	38,062	41%
Trade Balance	(3,172)	(2,255)	41%	(2,595)	22%	(30,097)	(19,349)	56%
Export of Services	668	535	25%	563	19%	5,156	4,404	17%
Import of Services	932	826	13%	628	48%	8,335	6,347	31%
Service Balance	(264)	(291)	-9%	(65)	306%	(3,179)	(1,943)	64%
Balance on Primary Income	(559)	(288)	94%	(400)	40%	(3,905)	(3,318)	18%
Balance on Secondary Income	2,967	2,315	28%	3,027	-2%	24,012	24,335	-1%
Remittance	2,810	2,190	28%	2,725	3%	23,962	24,324	-1%
Current Account Balance	(1,028)	(519)	98%	(33)		(13,169)	(275)	

USD million



Money Market

Deteriorating economic indicators, political instability coupled with expectations of build up inflationary pressure resulted in sharp rise in domestic secondary market yields. In order to bring certainty to the otherwise volatile market central bank hiked policy rate by as much as 250bps to 12.25% in its emergency meeting held on 7th April 2022, this makes the cumulative increase in policy rate by 525 bps since the start of September 2021 when central bank started monetary tightening (*to recall, in order to support the economy during pandemic central bank eased policy rate by 625bps from March'20 till June '20*). During the month central bank conducted three T-bill auctions, participation across all the auctions remained concentrated in 3M T-bill followed by 6M T-bill and 12M, cutoff across all the tenors increased on an average by 170bps to account for hike in policy rate and expectation of another hike in policy rate going forward.

T-bill Auction Results

Date	3M	6M	12M
07-Apr	12.8002%	13.2500%	13.2999%
21-Apr	13.5003%	13.8495%	13.8496%
28-Apr	14.7489%	14.9901%	14.8050%

In its regular cycle fixed rate bond auction Central bank received bids worth PKR 387 billion against a total target of PKR 100 billion. Auction witnessed participation in 3Y by PKR 106bn, 5Y by PKR 191bn, 10Y by PKR 260bn, where as no bids were received in 15Y and 20Y. Central bank accepted bids worth PKR 28.2bn in 3Y, PKR 70.8bn in 5Y and PKR 288.3bn in 10Y at cutoff rate of 13.30%, 12.95% and 13.15% respectively. On average cutoffs increased by 135bps from last month.

PIB Auction Results

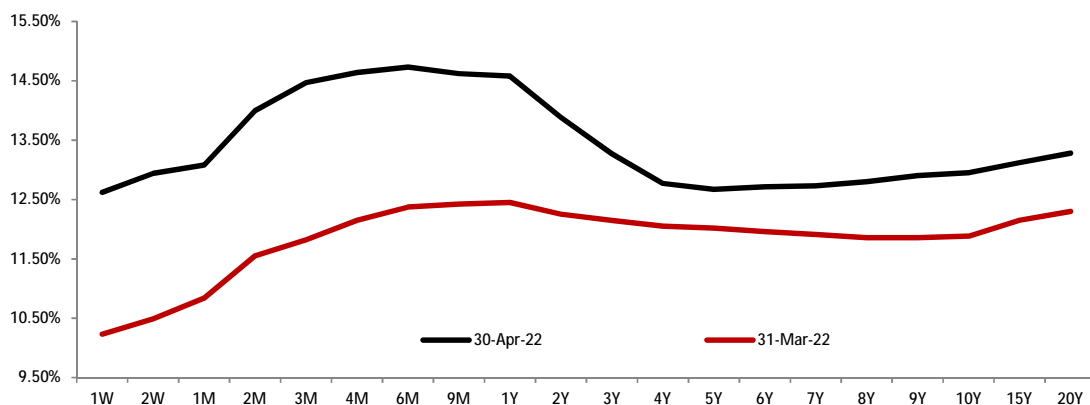
Date	3Y	5Y	10Y	15Y	20Y
17-Feb	10.6998%	10.7500%	10.8600%	Rejected	Rejected
17-Mar	11.8500%	11.7497%	11.7418%	Rejected	Rejected
29-Apr	13.3000%	12.9500%	13.1500%	No Bids	No Bids

In order to provide direction and to stabilize the market, frequent liquidity injections were conducted by the central bank in order to keep the overnight market close to policy rate

Open Market Operations (PKR million)

Date	Type	Tenor	Offered	Accepted	Cutoff
01-Apr	Injection	7	2,885,100	2,750,000	9.80%
05-Apr	Injection	3	391,450	366,450	9.83%
08-Apr	Injection	7	3,085,700	3,085,700	12.28%
14-Apr	Injection	7	163,500	163,500	12.28%
15-Apr	Injection	7	3,169,650	3,169,650	12.29%
22-Apr	Injection	7	3,049,100	3,049,100	12.30%
29-Apr	Injection	7	3,565,630	3,565,630	12.30%

Yield Curve



PSX - KSE 100 gained 0.71% in Apr'22

During the period under review KSE-100 index gained 320 points to close at 45,429 index level. This bring CY22 return to 1.47% and FYTD return to -4.45%.

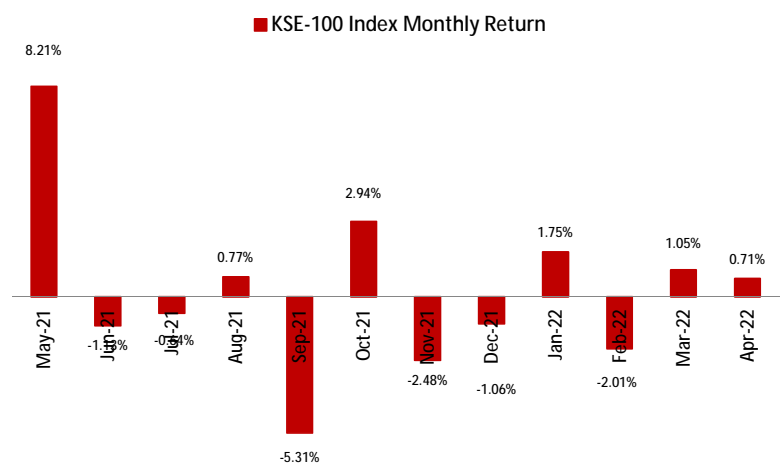
April'22 remained mostly volatile owing to the uncertainty on the political front. Market rallied on the optimism surrounded by the change of power, however; the rally was short lived as the economic challenges came back on the forefront mainly twin deficits, depreciating FX reserves, harsh IMF conditions to roll back subsidies and pressure on currency created jitters among the investor community resultantly the PSX 100 index lost steam and lost most of the gains to close the month at 45,249 (+0.71%).

PSX Performance Stats

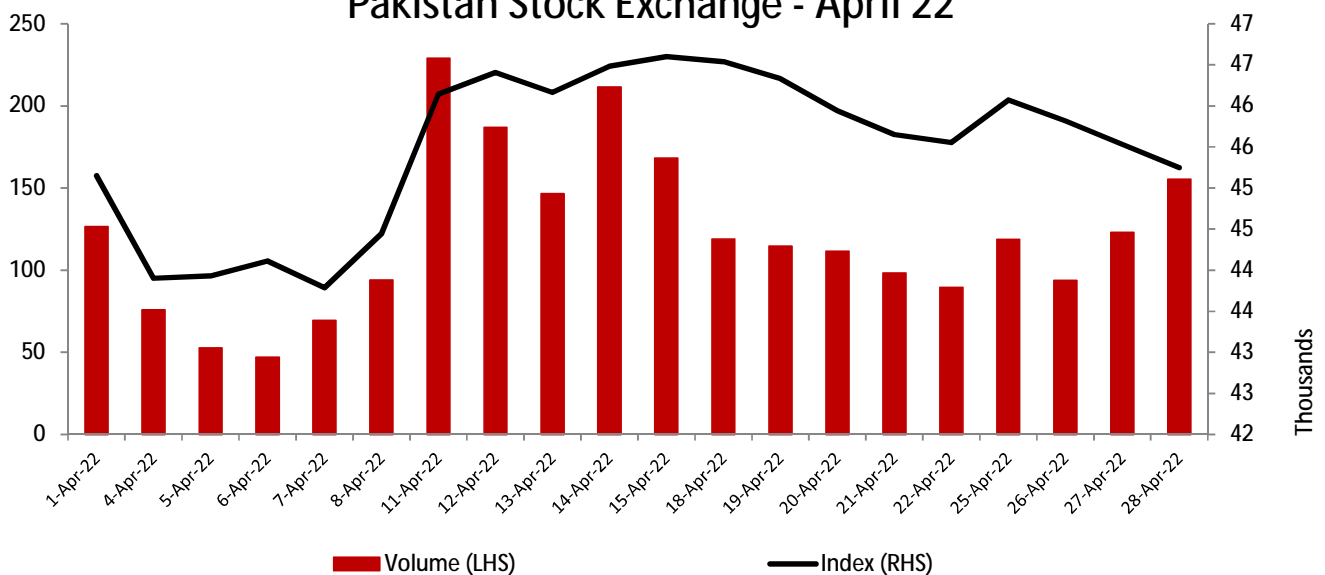
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	45,249.41	17,314.51	74,012.17	30,774.66
Change	320.58	197.03	1,097.24	-13.62
%Change	0.71%	1.15%	1.50%	-0.04%

KSE-100 Index Top 5 Performers

Company	Name	Return
Lotte Chemical Pakistan Ltd	LOTICHEM	53%
Engro Polymer & Chemicals Ltd	EPCL	36%
National Refinery Ltd	NRL	25%
Cnergyico Pk Ltd	CNERGY	22%
Attock Refinery Ltd	ATRL	21%



Pakistan Stock Exchange - April'22

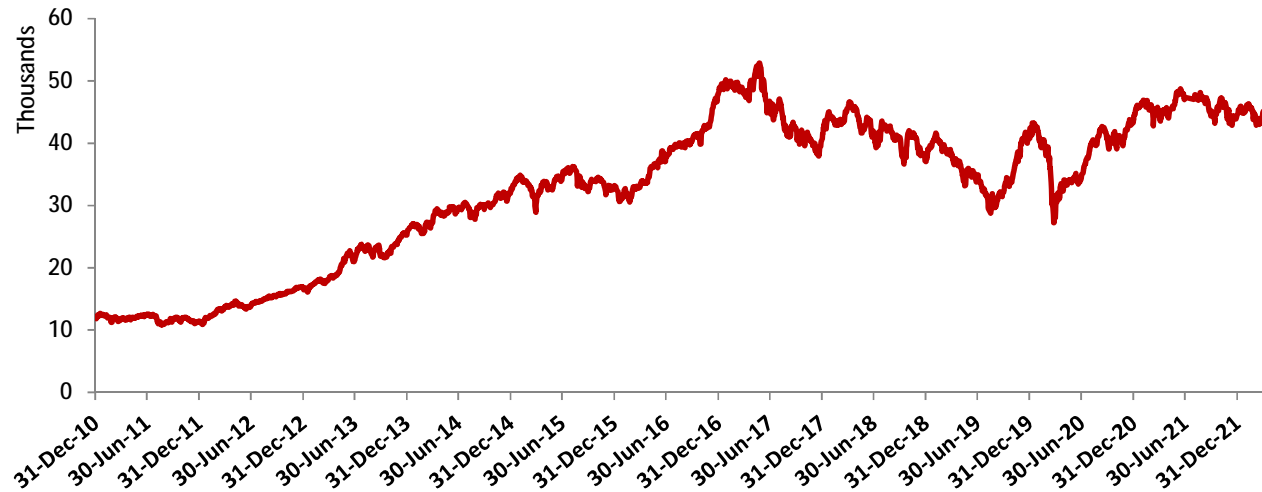




KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year - CYTD
2021	1.75%	-2.01%	1.05%	0.71%									1.47%
2021	6.01%	-1.12%	-2.78%	-0.73%	8.92%	-1.13%	-0.64%	0.77%	-5.31%	2.94%	-2.48%	-1.06%	1.92%
2020	2.20%	-8.76%	-23.04%	16.69%	-0.53%	1.45%	14.05%	4.72%	-1.31%	-1.68%	2.96%	6.54%	7.41%
2019	10.07%	-4.28%	-1.04%	-4.83%	-2.20%	-5.76%	-5.79%	-7.10%	8.11%	6.62%	14.86%	3.68%	9.90%
2018	8.84%	-1.84%	5.37%	-0.16%	-5.81%	-2.18%	1.91%	-2.27%	-1.78%	1.59%	-2.77%	-8.47%	-8.41%
2017	1.99%	-0.46%	-0.78%	2.38%	2.62%	-7.96%	-1.19%	-10.44%	2.92%	-6.58%	0.99%	1.15%	-15.34%
2016	-4.62%	0.23%	5.64%	4.77%	3.87%	4.78%	4.62%	0.71%	1.84%	-1.60%	6.84%	12.16%	45.68%
2015	7.20%	-2.36%	-10.10%	11.56%	-2.00%	4.06%	3.90%	-2.84%	-7.02%	6.11%	-5.86%	1.74%	2.13%
2014	6.03%	-3.74%	5.34%	6.45%	2.85%	-0.29%	2.23%	-5.76%	4.06%	2.19%	2.70%	2.99%	27.20%
2013	2.00%	5.40%	-0.72%	5.20%	14.96%	-3.75%	10.98%	-4.94%	-1.48%	4.32%	6.70%	3.95%	49.43%
2012	4.65%	8.45%	6.86%	1.66%	-1.46%	0.11%	5.62%	5.59%	0.35%	3.01%	4.17%	2.00%	48.98%
2011	2.80%	-8.66%	4.61%	2.10%	0.54%	3.08%	-2.45%	-9.19%	6.25%	0.91%	-2.83%	-1.61%	-5.61%

KSE-100 Index Historical Performance



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Difference in different data sources (SBP vs. PBS)

The trade figures reported by SBP in the balance of payments do not match with the information provided by the Pakistan Bureau of Statistics. This is because the trade statistics compiled by SBP are based on exchange record data, which depends on the actual receipt and payment of foreign exchange, whereas the PBS records data on the physical movement of goods (custom records). Furthermore, SBP reports both exports and imports as free on board (fob), while PBS records exports as free on board (fob) and imports include the cost of freight and insurance (cif).